

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7346**

**BILL NUMBER:** HB 1509

**NOTE PREPARED:** Jan 1, 2003

**BILL AMENDED:**

**SUBJECT:** School Corporation Surplus Bond Proceeds.

**FIRST AUTHOR:** Rep. Frizzell

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill requires a school corporation to use surplus bond proceeds for future projects if the fiscal officer of the school corporation certifies that the surplus was not anticipated when the bonds were issued.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill would allow schools to use surplus bond proceeds or interest earnings for a future purpose or project. Currently, the surplus proceeds or interest earnings can be used for the same purpose or type of project. Data on the amount or use of surplus bond proceeds is not currently available. The bill would expand the possible use of the bond proceeds.

*Background:* Schools have sometimes used the surplus to restore parts of a project that may have been reduced or eliminated in the project during the approval process. The surplus has generally been used for improvements to the project. Revenue from a bond issue goes into a construction fund. Schools can use the money for about one year to fund modifications to the project. The bond trust indenture document generally specifies how surplus bond proceeds may be used. After a year, the excess goes into a sinking fund that is used to pay the bond off early. Schools generally build in contingency funding of about 3% to 5% into a

project. The Department of Local School Finance approved school construction projects worth \$976 M during CY 2000 and \$858 M during CY 2001. The amount of the contingency funding for the last two years is estimated to have been about \$25.7 M to \$48.8 M.

**State Agencies Affected:**

**Local Agencies Affected:** Local Schools.

**Information Sources:** Lonnie Therber, Therber, Brock, and Kramer, Inc., 317-637-9572; Melissa Henson, Department of Local Government Finance, 317-232-3785.

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825